

Message Text

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PAGE 01 QUITO 00219 092131Z

73

ACTION ARA-10

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FM AMEMBASSY QUITO

TO SECSTATE WASHDC IMMEDIATE 3973

INFO AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY LIMA

AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 0219

E.O. 11652: GDS

TAGS: PFOR, EGEN, OAS, EC, XM

SUBJECT: US/ECUADOREAN RELATIONS, TRADE REFORM ACT, AND OAS SPECIAL
SESSION

REF: QUITO 0145 (NOTAL)

BEGIN UNCLASSIFIED

1. STATE DEPARTMENT SPOKESMAN ROBERT ANDERSON'S VERY HELPFUL
STATEMENTS ON BEHALF OF ECUADOR AND VENEZUELA WERE GIVEN FIRST
CLASS TREATMENT BY MAJOR ECUADOREAN PAPERS ON JANUARY 8TH.
EL TIEMPO'S HEADLINE, WHICH RAN CLEAR ACROSS THE PAGE, READ
"KISSINGER SEEKS TO ELIMINATE THE MEASURES AGAINST OPEC
STATES"; EL COMERCIO'S SAID "KISSINGER SEEKS A MEANS OF
ALLEVIATING THE DAMAGE TO ECUADOR". THESE WERE ACCOMPANIED
BY FULL REPORTING OF THE REMARKS MADE DURING THE PRESS
CONFERENCE AT THE DEPARTMENT, INCLUDING USE OF THE TEXT OF
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PAGE 02 QUITO 00219 092131Z

ANDERSON'S STATEMENT.

2. AT THE SAME TIME, BOTH PAPERS REPORTED GATHERING SUPPORT FROM COLOMBIA, PANAMA, PERU, AND BRAZIL FOR ECUADOR'S AND VENEZUELA'S POSITIONS. THE OVERALL PICTURE WAS BRIGHTENED BY THE RUNNING OF STORIES REPORTING THE ECUADOREAN CABINET'S DECISION TO ACCEPT THE NEW OPEC TAX TAKE OF \$10.12 PER BARREL; ECUADOR'S PREVIOUS PRICE HAD BEEN SO MUCH HIGHER THAN THE WORLD MARKET PRICE THAT IT HAD LED TO A VIRTUAL CESSATION OF EXPORT SALES, WITH THE SUBSEQUENT UNDERTONE OF BLAME UPON THE US (BECAUSE OUR COMPANIES - TEXACO-GULF- ARE THE PRINCIPAL SELLER OF ECUADOREAN OIL).

3. YESTERDAY'S GOOD NEWS DID NOT LAST. JANUARY 9TH'S PAPERS CARRY IN FULSOME DETAIL REPORTS THAT THE US TREASURY DEPARTMENT HAS VETOED IADB AND WORLD BANK LOANS TO ECUADOR. ONLY WHEN YOU GET TO THE FINE PRINT DO THEY SPECIFY THAT THESE ONLY REFER TO "SOFT LOANS", AT MINIMAL INTEREST RATES WITH LONGER TERMS TO REPAY. EL COMERCIO, IN THE SECOND EDITORIAL SINCE THE FRAY BEGAN, WROTE A RATHER NASTY PIECE IMPUGNING THE US'S "GOOD INTENTIONS" IN TRYING TO FIND A MEANS, "AT THE LAST MOMENT", TO ELIMINATE THE DISCRIMINATORY CLAUSES AGAINST OPEC COUNTRIES IN THE TRADE REFORM ACT. THE EDITORIAL SAYS IT IS NOT ENOUGH TO RELY ON "PROMISES OR GOOD INTENTIONS"; THAT THE LAW IS NOW AN ACCOMPLISHED FACT, AND THE DAMAGE IS DONE. FURTHERMORE, THAT ECUADOR "IS THE COUNTRY MOST AFFECTED" BY IT. IT GOES ON TO SUGGEST THAT THE STATE DEPARTMENT OR EXECUTIVE BRANCH SHOULD HAVE TRIED HARDER TO KEEP THE OFFENSIVE CLAUSES OUT OF THE BILL, ESPECIALLY IN VIEW OF THE "NEW DIALOGUE" WHICH WAS SO HOPEFULLY LAUNCHED AT TLATELOLCO. IT WINDS UP "IT IS NOT THE SMALL (LATIN AMERICAN) COUNTRIES WHICH HAVE SOUGHT TO FRUSTRATE THE DIALOGUE WHICH WAS INITIATED IN MEXICO LAST YEAR, AND WHICH WAS CONSIDERED SO PROMISING. IT IS, RATHER, THE INJUSTICES OF A LAW PASSED BY THE UNITED STATES CONGRESS WHICH HAS CLOUDED THE HORIZONS".

4. AMIDST THE SOUND AND THE FURY, ALMOST OBSCURED BY THE DUST, IS A SMALL NOTE AT THE BOTTOM OF PAGE ONE IN JANUARY 9TH'S EL TIEMPO, BY GEORGE GEDDA, AP
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CONFIDENTIAL

PAGE 03 QUITO 00219 092131Z

CORRESPONDENT. IT REPORTS THAT SOURCES IN CONGRESS, AND SPECIFICALLY WITHIN THE SENATE FINANCE COMMITTEE, HAVE SAID THAT THE TRADE REFORM ACT CAN BE INTERPRETED WITH A CERTAIN AMOUNT OF FLEXIBILITY WHICH WOULD PERMIT PARTICIPATION BY VENEZUELA AND ECUADOR IN THE GENERALIZED SYSTEM OF TARIFF PREFERENCES. THE FINANCE COMMITTEE SOURCE IS QUOTED AS SAYING "THE DEPARTMENT OF STATE SEEMS TO THINK THAT THE LAW IS MORE RESTRICTIVE THAN IT

REALLY IS". OTHER SOURCES ARE ALSO QUOTED AS SAYING THAT THE LETTER OF THE LAW IS LESS RESTRICTIVE THAN IT HAS BEEN INTERPRETED TO BE BY STATE DEPARTMENT OFFICIALS.

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5. COMMENT. WHILE BLEAK, THE PICTURE HERE IN QUITO IS NOT YET NECESSARILY GRIM. WHAT EMERGES IN THE PUBLIC EYE IS A MONTAGE OF THE US DELIBERATELY IGNORING YEARS OF ALLIANCE WITH ITS HEMISPHERIC PARTNERS, ALL OF WHOM HAVE SUPPLIED THE US WITH CHEAP RAW MATERIALS, ALL OF WHOM ARE NOW SUFFERING FROM PRICE RISES IN THE MANUFACTURED PRODUCTS THEY MUST PURCHASE FROM THE US, AND WHO ARE NOW BEING KICKED IN THE TEETH BY A TRADE BILL WHICH HAS THE EFFECT OF CONTINUING TO RESTRICT THE DEVELOPMENT OF THEIR INDUSTRY AND THEIR ENTRY INTO MORE NORMAL COMMERCE WITH THE US. FURTHER, THAT THE US HAS DELIBERATELY SIGNLED OUT ECUADOR AND VENEZUELA (IN THIS HEMISPHERE) FOR SPECIAL SANCTIONS WHICH MIGHT MORE APPROPRIATELY BE AIMED AT THE ARABS WHO IMPOSED LAST WINTER'S OIL EMBARGO, RATHER THAN ECUADOR AND VENEZUELA, WHICH DID NOT JOIN THAT EMBARGO. KNOWLEGDEABLE ECUADOREAN OFFICIALS HAVE ADMITTED TO THE CHARGE, POL CONSELLOR, AND OTHER EMBASSY OFFICERS THAT THEY REALIZE THERE IS LITTLE PRACTICAL EFFECT OF THE TRADE REFORM ACT ON THEIR ECONOMY, AT LEAST FOR THE PRESENT. BUT FOR THAT VERY REASON, PLUS HEMISPHERIC LOYALTY AND THE FACT THAT ECUADOR AND VENEZUELA DID NOT JOIN THE OIL EMBARGO LAST WINTER, IT SHOUD BE POSSIBLE FOR THE UNITED STATES TO MAKE SOME GESTURE BEFORE RELATIONS SERIOUSLY START TO DETERIORATE. IF PRESS REPORTING CONTINUES AS IT HAS FOR THE LAST FIVE DAYS, WE BELIEVE WE MAY START TO SEE SOMETHING MORE THAN JUST VILE
CONFIDENTIAL

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PAGE 04 QUITO 00219 092131Z

REPORTAGE; THE PICTURE, TAKEN WITH ECUADOR'S MORE AMENABLE STANCE ON OIL, AND JUXTAPOSED AGAINST THE NEWS OF TREASURY'S VETOING OF FURTHER SOFT LOANS TO THIS COUNTRY, COULD VERY EASILY START TO AFFECT OUR RELATIONS IN A MORE PROFOUND SENSE.
HEMENWAY

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